

THIS operation going on from both sides enables the bankers doing international business to keep balances at either end sufficient for their needs, but if, as sometimes happens, a bank is called upon to transmit more than the amount of its credit balance, it goes into the open exchange market and for a small commission buys the right to draw against the balances of other banks which have more than their immediate needs call for. Thus under normal circumstances goods shipped from one country are paid by goods shipped in exchange, and only in comparatively few instances is it necessary to complete the balance by a shipment of gold.

THE outstanding case in point is that during the World War—everything being shipped from the United States to Europe and practically no goods coming back—the payments were made in gold, resulting in the major portion of the world's gold supply being lodged in the United States. Latterly, too, for various reasons, the flow of gold has been to the United States, though a slight ebb tide is now apparent. But in the last analysis goods are paid for in goods.

Henry George's Disciples

THE annual meeting of the Henry George Foundation, which is to be held in this city on Monday, will possess particular interest because it comes at a time when taxation is one of the uppermost subjects before the public.

Henry George's panacea for the economic ills of the world has commanded respectful attention on the part of many distinguished thinkers, and if it has not succeeded in gathering round it a conquering army of advocates, it has at least persisted in holding a place on the stage while many other prescriptions have come and gone and been forgotten. The Single Tax is at present attracting more attention in England than it, perhaps, has ever before received.—Editorial *Baltimore News*.

WHENEVER there is in any country uncultivated lands and unemployed poor, it is clear that the laws of property have been so far extended as to violate natural rights. The earth is given as a common stock for man to labor and live on.—THOMAS JEFFERSON.

WHAT the unemployed need is not socialism, communism, bolshevism, fascism or paternalism of any kind, but simple Freedom—the chance to go to work for themselves upon the free opportunities provided by nature herself for that very purpose; just as our old pioneers of the West did before the public domain fell into the hands of land monopolists. If you want to know how this can be done, read "Progress and Poverty," by Henry George. The book is in every public library.—"Horatio."

The Single Tax in Perspective

A PAPER READ BY BENJAMIN W. BURGER, LL. M.,
OF NEW YORK CITY BAR, AT SIXTH ANNUAL HENRY
GEORGE CONGRESS AT BALTIMORE, OCT. 12, 1931.

"For more than two years past we have seen millions of men and women tramping our streets looking for work. We have seen our basic industry, agriculture, shot to pieces. We have witnessed human distress more terrible than can be described. Malnutrition, disease, suicides, crime, broken homes, all directly attributable to unemployment, have caused a loss beyond human computation.

"The monetary loss in the United States in 1930 amounted to \$20,000,000,000, and this year it will be close to \$30,000,000,000. These figures take no account of the fluctuating values of securities and real estate."—*New York American*, Sept. 20, 1931.

WE have suffered not industrial stagnation but industrial paralysis. Contrary to popular impression, the New York stock market crash in the fall of 1929 was not the cause of our depression. This will be clear to anyone who understands fundamental economics. The stock market primarily is a thermometer which records general business conditions, and is no more the cause of our present difficulties than a temperature of 110° in a thermometer is the cause of hot weather. In each case the thermometer and stock market merely record prevailing weather or business conditions. They do not cause them.

Our difficulties, and indeed the difficulties which today afflict every country, had arisen long before the crash. Even in so called "good times" the United States had between 1,000,000 and 2,000,000 men constantly out of work. No country can boast of prosperity when so many willing workers are unable to find employment.

What has been the attitude of our public officials to these distressing conditions? At first the President denied that conditions were at all extraordinary. We are suffering, he said, our usual fall setback, a little more acutely, perhaps. (Then in May, 1930, more than eighteen months ago, he announced: "We have now passed the worst.")

When the worst continued to become worse, the President and his advisers began to issue suave statements which reminded one of an Ethiopian whistling in a country graveyard on a moonless night. Finally, in April of this year, the President reluctantly stated that there were 6,000,000 men unemployed. When a party in power openly admits that 6,000,000 men are without work, we may safely hazard the statement that actually between 9,000,000 and 10,000,000 are unemployed.

The President discreetly avoided any reference to those who are working only part time; nor did he mention professional men or storekeepers whose activities had forcibly been reduced one-half or two-thirds. All these were deemed technically employed. Nor did he state the number of workers who had suffered severe wage cuts.

In November and December, 1929, he had called two conferences of big business men to pledge themselves to maintain prevailing wages. As though employers in a

competitive system could artificially keep up wages! Month after month since that time employment has decreased and pay envelopes have become thinner and thinner. The pay rolls of the steel industry, for example, have been reduced about 40%. The wages paid by the railroads alone in 1930 were approximately \$600,000,000 less than in 1929, yet until recently the administration had been priding itself on maintaining the rate of pay. Employees, however, pay their grocers from the wages actually enclosed in their pay envelopes, not from the rate of pay. So the impression the Administration has sought to create that it has maintained the wages is misleading.

All kinds of remedies were proposed to end the depression. None went to the cause; none could be effective.

The State Industrial Commissioner of New York said:

"This is one time when the rich should indulge themselves in luxuries that require large labor forces, such as building a yacht. This is the time to build a sunken garden, put a stone or brick wall around a country estate, give a daughter a swimming pool instead of an expensive bauble, an open air theatre, boat house, build a hockey field, lay out bridle paths, set out roadside trees."—*New York Times*, Nov. 11, 1931.

The Governor of Oklahoma called for taxes—

"assessed according to ability to pay and services derived."—*New York Times*, Sept. 8, 1931.

To keep up the high price of oil the Governor established martial law in the oil fields.

In Louisiana a bill was passed making it unlawful to plant cotton. This is, of course, unconstitutional.

The American Legion, controlling more than 1,000,000 votes, advocated a bill permitting the veterans to borrow up to 50% of the face value of their certificates on the plea that such a bill "would put new life into American business."

The law was passed, 2,100,000 veterans borrowed an additional \$950,000,000, but American business continued to sink lower and lower.

The Farm Board, having lost over \$250,000,000 of taxpayers' money in a vain attempt artificially to peg the prices of wheat and cotton, came forward with the brilliant suggestion that the farmers become rich by burning every third row of cotton, which they had so carefully saved from the ravages of the boll weevil. The board, supported by taxpayers of the United States, evidently believes the farmers could be made richer by destroying part of the wealth they had produced, and charging the taxpayers and consumers more for the remainder of the crop.

They learned nothing from Brazil's failure in attempting to establish prosperity by burning up and dumping into the sea 1,779,000 bags of coffee, containing more than 200,000,000 pounds, in a vain endeavor to boost the price of coffee (*New York Evening Post*, Oct. 3, 1931), and the attempt on the part of Cuba and twenty other nations to establish prosperity by a worldwide agreement to reduce sugar production and thus raise the price.

Cuba and her allies concerned themselves only with limiting production, or supply, and wholly ignored consumption or demand, which is the second factor in determining selling price. They will be next to learn how futile are all efforts to peg prices to an artificial level.

The railroads argued that prosperity could be restored by granting them a 15% increase on freight rates. They failed to explain how they are going to get increased income when the very increase they are seeking would tend to drive more and more freight to automobile trucks.

The opponents of prohibition argued that the way to establish prosperity was to abolish the Eighteenth Amendment. They cannot explain, however, why the European and South American and Asiatic countries, where prohibition is unknown, also are in the throes of depression.

Next the labor union leaders came forward with their remedy, namely, to spread employment among a greater number of workers by reducing the working week from six to five days, and the daily work from eight to five hours. They are naive enough to believe that employers could or would pay the same wages for twenty-five hours' weekly work that they now pay for forty-eight or forty-four. They do not realize, as we do, that as the production of the greater number of workers over the same period of hours would be only identical in quantity with that of the lesser number of workers, the employer, paying the wages from production, would be unable to pay more wages even if he were so minded. They fail to realize that spreading a given amount of work over more workers only results in the same wages being apportioned among the greater number of workers.

The purchasing power of the mass cannot thus be increased; it is simply more widely spread. Any student of the economic problem knows that we are suffering primarily from insufficient purchasing power on the part of all the producers, and that to spread the existing purchasing power over a larger number of workers will not solve our problem, which is to increase the purchasing power of the entire mass of workers.

We, who understand fundamental economics, perceive that we are suffering from a lack of purchasing power, or underconsumption, not from overproduction. Overproduction could obtain only in a world where every man, woman and child had all the food, clothing and shelter necessary, and certainly this world is far from that state.

There are millions of people in China, in India, in Europe, yes, in the United States, who would like to use the wheat, sugar, automobiles and other commodities classified as "overproduced," but they have nothing to exchange for these commodities, that is, nothing that approaches fair exchange on the basis of barter.

The United States Department of Commerce, under the guise of relieving unemployment, started a witch hunt to keep out and drive out of this country as many persons as it could. The bars against immigration were gradually raised so high that today it is almost impossible for a strong

law-abiding worker to enter the United States, particularly from certain countries. This tremendous potential wealth has been temporarily, if not permanently, lost to the United States.

Then there were the pseudo-economists and time-serving politicians who believed that a high tariff would bring prosperity. They proceeded to pass the stiffest tariff law ever inflicted on the United States, which was followed by the severest depression we have suffered in our 142 years' history. (See Cleveland Trust Company Bulletin and Graph, Sept., 1931.)

Experts estimate that four items of that tariff alone (beef, sugar, wool, shoes) annually cost American consumers in excess of \$1,000,000,000 more than otherwise would be the case. To that extent has the purchasing power of the American consumer been reduced!

Then there were those superficial students of our problem who recommended, as a remedy, unemployment insurance:

"Let the employer, the employed and the State," they said, "pay into a common fund such an amount as, on an actuarial basis, will enable the fund to meet its obligations, namely, to pay out moneys weekly to the workers when they are unemployed."

To the burdens under which industry is already groaning they proposed to add still another!

Now it is obvious, if there is a shortage of employment, that the employer will be unable to contribute to the fund and will be forced out of business, and simultaneously the worker will begin to draw from the fund and the State will invariably be left to pay more and more into the fund to keep it solvent. The State, in the vernacular, will "hold the bag." Unemployment insurance is thus no remedy. The only remedy for unemployment is employment.

Moreover, unemployment insurance invariably leads to the dole; and to observe the terribly depressing effects of the dole system, one need only to look at Great Britain. A once sturdy, self-reliant people have, through economic injustice, become paupers and have been compelled, at the sacrifice of their self-respect, to accept a pittance to hold body and soul together.

There are those who vociferously have been urging the cities, States or the nation to borrow money to employ labor to be used in building roads, bridges or other public projects. One American editor advocates a \$5,000,000,000 bond issue.

These people are perfectly oblivious to the fact that there are limits to the amount of bonds which the bond market can absorb, and that new issues of bonds can be disposed of only at constantly increasing rates of interest, and that eventually those bonds, with heavy interest, must be redeemed by the whole community. In addition, and this is most important, the advocates of bond issues fail to realize that building more roads and bridges results only in increasing contiguous land values, which again would be privately appropriated.

And here I must comment on the "Pittsburgh Plan," which may be described as a plan gradually to remove taxes from improvements and concentrate them on land, but fails to collect the entire economic rent for the community.

It is the law of economics that a reduction of taxes must be followed by a corresponding increase in land rent proportionate to the relief given. This for the reason that exempting improvements from taxation makes Pittsburgh or any other city adopting such a policy a more attractive place in which to live and do business, and to that extent tends to increase land values.

While the collection of the entire taxes from land alone is good so far as it goes, the failure to collect for the community, which has created it, the entire economic rent, permits the land owner to continue to speculate in land values, and renders abortive, if not nugatory, the benefits which otherwise would flow from exempting improvements from taxation.

So long as land values are privately appropriated they are a liability to a community, not an asset.

More recently it has become the fashion to advocate "planned production" and "planned distribution." The advocates of this idea (with one eye toward Russia) say:

"Let us call a conference of trained economists and captains of industry to formulate plans."

Could any three or five experts agree about the main features of a plan? A simple inspection of their writings and speeches shows that they are often in violent disagreement with one another. The most positive of them are positively sure that most of their colleagues are wrong.

One of the leaders of the oil industry said (*New York Times*, Sept. 20, 1931):

"I have no plan whereby the oil industry can agree on three or five men to consider suggestions and formulate plans to bring about their salvation. In fact, if they run true to form, they will be unable to agree on three or five or fifty men, nor would they be able to agree to anything that such a group of men would recommend, even if these men were able themselves to agree."

While the discussion of the economists and captains of industry continued, and their sharp differences of opinion were put on exhibition, the American public would be very apt to echo the satiric German comment on the famous assembly of Gelehrten in 1848:

"Hundert funfzig Professoren,
Vaterland, du bist verloren."

Which, translated freely, means: "One hundred and fifty professors in conference, God help the country."

Our political ideal always has been to encourage private enterprise and keep open the door of opportunity. We believe in the irreducible minimum of legislative interference in every field. State planning implies a grandiose effort to provide severely ordered regimentation to be imposed by law upon every aspect of American enterprise and American life. It is contrary to the spirit of our country.

What man or group of men would know how to direct all or many of the leading activities of this great nation? Who is so innocent as to assume that if we were to make a plan our people would follow it, unless they could be made slaves?

Certainly the Federal Government cannot formulate or direct such a plan. It is none too successful in discharging its constitutional functions. It cannot even run a routine business like the Post Office Department without incurring a huge deficit (\$150,000,000 this year alone).

"The experience of the race," says Newton D. Baker, "has shown us that progress is a function of freedom."

I believe that the Russian five-year plan must fail because it seeks to change the primal instincts of human beings; because it seeks to obliterate the individual; because it seeks to erase from men the acquisitive impulse.

The present worldwide depression shows clearly that the problems connected with the production and distribution of wealth are of international character.

A plan, to be of any value, therefore, must envision not the United States alone but the entire world. How are we going to bring about uniformity of opinion among fifty or more nations intimately concerned with production, distribution, importation and exportation of wheat, sugar, cotton, wool, rubber and other commodities? No longer than last May a conference in London called for the purpose of evolving a plan for the control of only a single commodity (wheat) failed entirely.

Delegates from eleven grain-growing nations met, produced a variety of formulas, and parted with empty hands, except for a decision to collect statistics, which already exist in superabundance.

It would be possible, of course, to limit a conference to unofficial experts, who might be able to agree more readily upon a programme, as free agents, than if they were bound by divergent policies of their respective governments. In that case, however, we should witness a repetition of what happened at Geneva in 1927.

On that occasion several hundred distinguished experts met in a world economic conference, made a careful analysis of the chief economic problems confronting the nations, and advised their respective governments to remove the artificial barriers interfering with the natural and profitable flow of international trade. What was the answer of the governments?

At once they proceeded to create newer and still higher barriers, with the United States in the very front rank.

Those who believe that a conference of experts could solve our problem would do well to remember that 1,028 experts advised President Hoover not to approve the Hawley-Smoot Tariff Bill. They counted for nothing against the party politicians who, the very next day, induced him to sign it.

Long ago someone said: "Mankind moves along from one blunder to another before it finally hits upon the real cause of its misfortunes."

So, it seems, must be the case in the field of economics. Everything must be tried before the world will stumble on the Single Tax.

We know that the cause of our difficulty is that two classes in society produce wealth, while three classes divide it.

Few there are who possess the ability to reason from cause to effect. In the kindred field of health there is the same difficulty. People become ill because they violate the laws that govern their physical being, and instead of giving up the enervating habits which check elimination, seek external remedies to relieve themselves from the consequences of their own ignorance and folly.

Charity deals with effects; Justice would remove causes. Charity makes the old man of the sea feed sugar plums to the poor devil he is riding and checking; Justice would make him get off his victim's back.

The medical profession spends its time principally in palliating effects instead of removing causes. The legal profession wastes itself with matters, civil and criminal, most of which would never arise in a rational society.

Penology, likewise, absorbs itself in studying punishment for criminals instead of determining and eliminating the social cause, poverty, which produces most crime. In musical comedy it may be fitting to "let the punishment fit the crime," but the scientific attitude would be to introduce an economic order which would cease producing criminals.

Prohibition is another movement which deals with effects rather than causes. Admittedly, the excessive use of strong drink is injurious. But the craving for drink must precede indulgence. The Prohibitionists will not study the mental and physical and economic causes that create desire for liquor. They foolishly believe that by prohibiting its manufacture and sale (assuming that they can successfully stop its manufacture and sale) they will end the traffic. Ignoring causes as they do, their little reform is bound to fail.

In the field of international relations there are many who glibly speak about outlawing war by resolution or conference.

"Theirs is an idealism that ignores the realities," say Charles O'Connor Hennessy. "They (war opponents) say nothing about abolishing selfish national policies that seek to benefit one people by inflicting injury on another."

Many peace advocates advocate high tariffs, which artificially interfere with the free exchange of labor and commodities between nations.

In the economic field, as in the physical, there can be no cure until we recognize that our sufferings are due to our violation of law, whether physical or economic. "YE SHALL KNOW THE TRUTH, AND THE TRUTH SHALL MAKE YE FREE."

(Note.—The remainder of Mr. Burger's paper will be printed in our next number.)